CITY OF EKURHULENI METROPOLITAN MUNICIPALITY
EXTRA-ORDINARY COUNCIL MEETING

2018.03.28

ITEM A-F (23-2018)

REVIEWED INTEGRATED DEVELOPMENT PLAN (IDP) AND DRAFT MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF): 2018/2019 TO 2020/2021

PURPOSE

To submit the Reviewed Draft Integrated Development Plan (IDP), the Draft Medium-Term Revenue and Expenditure Framework (MTREF) for 2018/2019 to 2020/2021 and the Built Environment Performance Plan (BEPP) for 2018/2019 to Council for consideration in terms of Section 16(2) of the Municipal Finance Management Act (56 of 2003).

EXECUTIVE SUMMARY

The Draft IDP, the Draft Budget and the Draft Built Environment Performance Plan will be tabled to Council on the 28th March 2018 as required by section 16 of the Municipal Finance Management Act. The intention of the tabled documents is for Council to **note** the Draft Budget, the Draft IDP, the Draft BEPP, the Draft Budget-Policies and the Draft Tariffs for the public consultation process to commence. The Council sitting for the tabling of these documents will be in Kwa-Thema, Springs, as part of the City's endevour to take government to the people.

The **draft consolidated budget** reflects the following totals:

CONSOLIDATED	Amended Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Total Operating Revenue	34,918,698,077	37,504,250,473	40,444,384,824	43,864,137,415
Total Operating Expenditure	32,620,982,834	35,226,681,086	38,143,723,552	41,408,910,012
Total Gains and Losses	15,000,000	15,278,401	16,007,321	16,772,687
Surplus/(Deficit) for the year	2,282,715,243	2,262,290,986	2,284,653,951	2,438,454,716
Less Grant Income recognised to fund Capital Expenditure	(2,281,549,911)	(2,251,930,944)	(2,281,953,454)	(2,435,970,586)
Surplus/(Deficit) for the year after Capital Grants	**1,165,332**	**10,360,042**	**2,700,497**	**2,484,130**

Total Operating Revenue includes capital grants gazetted to be received which is then deducted to determine the actual surplus budgeted for operating activities.

The following attachments are provided:

SECTION ONE: INTEGRATED DEVELOPMENT PLANNING

Annexure A: Draft Reviewed Integrated Development Plan (IDP);

SECTION TWO: MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK

Annexure B: Draft Medium-term Revenue and Expenditure Framework – Complete Budget Document as per Municipal Budget and Reporting Regulations;
Annexure C: Draft Tariff Schedules;
Annexure D: Draft Budget-related Policies;

SECTION THREE: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

Annexure E: Draft Departmental Service Delivery and Budget Implementation Plan (Measurable Performance Indicators section) (SDBIP) (only for Final Budget to be tabled);
Annexure F: Draft Capital Budget per Ward;

SECTION FOUR: BEPP AND SERVICE LEVEL STANDARDS AND COST-CUTTING MEASURES

Annexure G: Built Environment Performance Plan of CoE; and
Annexure H: Service Level Standards.

Purposes of the attachments to this report

- Departments refined and set targets for their respective departmental plans which are included in the IDP. The proposals contain results which departments will work towards achieving and to support the achievement of the programmes contained in the GDS 2055. **Annexure A** contains the Draft Reviewed IDP for the 2018/19 financial year;
- **Annexure B** contains the detailed draft budget of CoE for the MTREF period. The consolidated budget of the City with those of its entities is also included. It is compiled in line with the Budget Guideline set out by National Treasury. The latest mSCOA version 6.2 template supplied by National Treasury was used and it is in the exact format as prescribed;
- **Annexure C** is a complete list of all the various draft tariff schedules of Council. It includes the major tariff schedules for municipal services, assessment rates as well as the tariff schedules of other services. A summary of the tariff increases is included in Annexure B as well;
- In terms of the Municipal Budget and Reporting Regulations, Council must consider only the policies with proposed changes as part of the budget process. However, **Annexure D** contains ALL the Budget Related Policies of Council;
- In terms of legislation the Service Delivery and Budget Implementation Plan (Measurable Performance Indicators section) (SDBIP) of Council must be reflected in MBRR Table SA7 as part of Annexure B of the report. **Annexure E** will be included in the final budget submission;
- A detailed Capital Budget which makes reference to the ward information is included as **Annexure F.** Though such an annexure is not required in terms of legislation, it assist in many ways when the budget is scrutinised during public participation;
- **Annexure G** contains the draft BEPP information of the City. The MFMA Circular 91 requires the draft BEPP be tabled with the budget by the 31st March 2018; and
- **Annexure H** provide the service level standards of the City. These are meant to provide the turnaround times for providing various services of the City.

DISCUSSION

Section 16 of the Municipal Finance Management Act (56 of 2003) [MFMA] dealing with the tabling of the annual budget states that:

(1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
(2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

This item, together with all accompanying documents and annexures, contain the budget that is tabled in terms of the abovementioned legislative requirements. This is the budget that will be taken through the public consultation process during April 2018 in terms of section 23 of the MFMA

Furthermore, section 24 of the MFMA dealing with the approval of annual budgets, inter alia, reads as follows:

1) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

2) An annual budget-

a) must be approved before the start of the budget year;
b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and
c) must be approved together with the adoption of resolutions as may be necessary-

i. imposing any municipal tax for the budget year;
ii. setting any municipal tariffs for the budget year;
iii. approving measurable performance objectives for revenue from each source and for each vote in the budget;
iv. approving any changes to the municipality's integrated development plan; and
v. approving any changes to the municipality's budget related policies.

3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

Once this budget has been tabled in terms of section 16 of the MFMA, and subjected to public consultation as required by section 23 of the same Act, it will further be subjected to the approval process as required by section 24 as mentioned above.

PROCESS FOLLOWED

The compilation of the tabled budget and the reviewing of the municipality's integrated development plan and budget-related policies started already 10 months before the begin of the 2018/19 financial year when the Report regarding the key deadlines was submitted to Council for approval on the 3rd of August 2017. The tabling of the Schedule of Key Deadlines is required in terms of section 21(b) of the MFMA.

In terms of the schedule of key deadlines, the budget was planned to be tabled to Council on the 22nd February 2018. All the preparations were done to comply with the schedule. However, at the mid-year visit of the National Treasury on the 5th and the 6th February 2018, the City was advised to postpone the tabling date to March 2018. The following were provided as the reasons;

a) The draft budget was not compiled from the financial system as the City did not have the budget tool to enable this process;
b) National Treasury issued version 6.2 of mSCOA only in December 2017. All municipalities are required to table their 2018/19 MTREF in that version. The City was advised to take time to convert the 2018/19 into the new version, rather than the previous version 6.1. Tabling the MTREF in the old version 6.1 was considered non-compliance with mSCOA;
c) In January 2018 National Treasury issued an e-mail advising all municipalities to undertake audit verification process to ensure that the previous years' audited figures in the 2018/19 MTREF are aligned to the audited annual financial statements. This was after the draft budget was completed by the City; and
d) The Minister of Finance was going to table the national budget on the 22nd February 2018. This would be after the date the City would have tabled its draft 2018/19 MTREF. The City was advised that there would be drastic reductions in the conditional grants from both National and Provincial governments. The City, therefore, was required to align its conditional grant funding with the gazetted allocations.

IDP REVIEW AND SDBIP PREPARATIONS

Immediately after the tabling of the Draft Budget/IDP, it would be circulated and published on the website as required by section 23 of the MFMA. Hard copies would be made available at all CoE Libraries and Pay points where the public would be given the opportunity to submit written comments on the budget. A dedicated email address will be created to give the public a further opportunity to submit comments on the tabled IDP/Budget. All stakeholders in the City would be requested to give their respective inputs and comments on the tabled IDP and Budget.

IDP and Budget consultation meetings will take place at all the Customer Care Centres (CCCs) during the month of April 2018. The table below shows the processes for the review of the draft Budget/ IDP to the tabling stage.

No	Activity	Proposed Date
1	Budget Steering Committee meeting (The submissions of the departments without any curtailment)	12 February 2018
2	Re-submission of draft budgets by certain departments (The purpose is to finalise the draft figures)	13 – 16 February 2018
3	Minister of Finance Budget Speech - Final DORA regarding grant allocations - Eskom/ NERSA increases - Rand Water and ERWAT increases	22 February 2018
4	First Draft of 2017/18 MTREF (balanced) - SMT	26 February 2018
5	Budget Steering Committee meeting (balanced)	2 and 20 March 2018
6	Special Council meeting for tabling MTREF	28 March 2018

Budget Steering Committee

The Budget Steering Committee has been set up by the Executive Mayor in terms of section 4 of the Municipal Budget and Reporting Regulations. The main function of the Budget Steering Committee is to give political direction and strategic guidance on the compilation of the IDP, Budget and BEPP, as well as give inputs on the review of the budget-related policies. This ensures that the budget is aligned to the City's Growth and Development Strategy (2055), strategic outcomes over the medium term and National and Provincial government priorities.

The Budget Steering Committee is chaired by the Member of Mayoral Committee (MMC) for Finance and members of Mayoral Committee responsible for Infrastructure Departments are invited to the meetings. The Executive Mayor is an ex officio member of the Budget Steering Committee.

Meeting with the Oversight Committees

After the tabling of the Draft Budget/ IDP to Council on the 28th March 2018, the documents will be referred to Oversight Committee to obtain input from Legislature. The Finance Oversight Committee inter alia will consider the Draft Budget as presented by the Administration to the committee.

The draft budget will also be made available to the caucuses of the political parties. Administration will be available to attend some meetings when information or clarity on some of the aspects of the draft Budget/ IDP are required.

DRAFT BUILT ENVIRONMENT PERFORMANCE PLAN (BEPP) 2018/19 AND CAPITAL INVESTMENT FRAMEWORK (CIF) APPROVAL

This part of the item to Council deals with the Built Environment Performance Plan (BEPP) and Capital Investment Framework (CIF). The Division of Revenue Act (DoRA) stipulates that the City of Ekurhuleni must submit Council approved draft BEPP with IDP and budget to National Treasury by 31 March 2018.

Submission of Council approved BEPP is legislative eligibility for the City of Ekurhuleni to receive infrastructure grants that are related to built environment. The grants are Urban Settlement Development Grant (USDG), Integrated City Development Grant (ICDG), Human Settlements Development Grant (HSDG), Public Transport Infrastructure Grant (PTIG), Neighbourhood Development Partnership Grant (NDPG) and Integrated National Electrification Grant (INEG).

The BEPP encompasses the capital investment framework in its function to strategically and spatially, guide, co-ordinate and align the municipal budget across all sectors. The CIF is a legislative requirement in terms of the Spatial Planning and Land Use Management Act, 2013, and the Municipal Planning and Performance Management Regulations, 2001 as promulgated in terms of the Municipal Systems Act.

The BEPP/CIF is in line with the Spatial Development Framework (SDF), which is a chapter in the IDP. The capital prioritization model is an instrument utilized in the implementation of the CIF in alignment with the annual budget process set out by the EMM Finance Department in order to strategically prioritize the multi-year capital budget.

The purpose of BEPP is to assist CoE to achieve built environment outcomes of productive, sustainable, inclusive and well-governed city. The BEPP approach is based on spatial targeting, the integration of key sectors (economic, transport and housing), co-ordination, and fiscal alignment and governance that should result in triggering long-term spatial transformation and facilitating economic growth. It has evolved over the years from identification of Integration Zones, catalytic projects, intergovernmental project pipeline to actually demonstrating progress in implementing the planning strategy. Hence, 2018/19 BEPP provides overview of progress in implementation of programmes within Integration Zones.

The CIF through Capital Prioritisation Model (CPM) support spatial targeting planning rational by targeting investment on prioritised Integration Zones and Geographic Priority Areas. It guides the spatial and strategic prioritization of the municipal capital budget in alignment with the annual multi-year capital budget evaluation process and in accordance with the CoE’s overarching strategies.

The CoE has to a large extent adhered to 2018/19 BEPP guidelines as issued by National Treasury. It is compiled from a range of current Ekurhuleni planning and strategy documents and is thus not a new plan, but is rather a ‘re-packaging’ of existing plans and information into a digestible, measurable format as required by National Treasury.

KEY ASPECTS CONTAINED IN THE DRAFT BUDGET

National Treasury issued MFMA Circulars 89 on the 8^{th} December 2017 and subsequently issued circular 91 on the 7^{th} March 2018 to provide guidance to municipalities and their entities in the preparation of their 2018/19 Medium Term Revenue and Expenditure Framework (MTREF). Some of the guidance provided in the Circular is highlighted below.

Economic Outlook

The Minister of Finance stated in the 2017 Medium Term Budget Policy Statement (MTBPS) that although global risk factors remain elevated, the world economy continues to provide a supportive platform for South Africa to expand trade and investment. The world economic growth is at its highest since 2014 and continues to gather pace with Gross Domestic Product (GDP) growth increasing across all major economies.

South Africa has experienced a period of protracted economic weakness which diminishes private investment. This may be attributed to domestic constraints, associated to political uncertainty, and declining business and consumer confidence. The local economy is beginning to recover after a short recession in early 2017 however the improvement is insufficient. Growth has remained stagnant at less than 2 per cent and unemployment remains high at 26.7 per cent. The prerequisites for increased revenue and expanded service delivery are more rapid growth, investment and job creation.

The GDP growth rate is forecasted at 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 per cent in 2020. Statistics South Africa's December 2017 economic statistics showed an unexpected improvement in the economic outlook, largely as a result of growth in agriculture and mining.

The main risks to the economic outlook are continued policy uncertainty and deterioration in the finances of state-owned entities. The drought experienced in several provinces poses significant risks to agriculture and tourism for the period ahead, and this may threaten jobs in these sectors. The current water crisis in the Western Cape and other provinces will affect economic growth. While the drought's impact is uncertain much depends on how long it will prevail; the extent to which specific catchment areas are affected; and the success of mitigation measures.

These economic challenges will continue to exert pressure on municipal revenue generation and collection levels hence a conservative approach is advised for revenue projections. Municipalities affected by the drought should also consider its impact on revenue generation. In addition, municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

The following macro-economic forecasts must be considered when preparing the 2018/19 MTREF municipal budgets.

Fiscal year	2017/18	2018/19	2019/20	2020/21
	Estimate		Forecast	
Consumer Price Inflation (CPI)	5.3%	5.3%	5.4%	5.5%
Real GDP growth	1.0%	1.5%	1.8%	2.1%

Source: 2018 Budget Review.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

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SUMMARY OF TARIFF INCREASES

In order to realise required funding and based on differential rating ratios in respect of individual categories of properties, it is proposed that **assessment rates be increased by 10%** compared to no increase in the 2017/18 financial year.

During the budget deliberations at one of the planning meetings, there were submissions that since the General Valuation was completed last year, the City has collected more revenue than anticipated and this trend will continue in the new year. Therefore, as in the previous year, the rate in a rand should not be increased in the 2018/19 financial year. Although this MTREF is based on the 10% increase in assessment rates, further engagements will be held during the public participation process to conclude on this matter prior to final approval of the budget.

Draft guidelines were received from NERSA and the tariff increase ranges between 5.23% and 8.5%, **with 6,84% given as the increase in revenue allowed**. The **Eskom increase for municipalities is given as 7.32% for 2018/19** (that is 1 July 2018) for purchases of electricity.

The following is a summary of the main direction followed in terms of tariffs:

- CoE is still matching Eskom levels on the IBT tariff, apart from the last block;
- Free Basic Electricity remains targeted to all residential customers on the IBT as well as the indigent household consumers; and;
- General Business and industry tariffs will increase by the percentage values indicated in the table lower down in this report.

The following table provides a brief summary of the proposed 2018/19 CoE tariff increases and changes (which will increase revenue by 6%):

#	Tariff	% increase	Changes to structure/ important points
1	Tariff A (Business)	Increase by 6,84%	• None
2	Tariff A (IBT)	• Increase by 5.23%. Matching Eskom exact values in block 1 * Average consumption levels are at the 350 to 550 kilowatt-hour level for most lower-end use customers.	• Very high final block, to prevent higher end customers from migrating to the IBT (and FBE).
3	Tariff A (IBT)	• 8.5%	• The IMS system is now fully upgraded and can now accommodate the IBT

	Existing FLAT rate for Tembisa customers on the IMMS system		• NERSA requires of CoE to place the customers on this system onto the IBT • Implementation difficulties foreseen in relation to customer acceptability, hence gradual migration strategy proposed through a somewhat higher increase value.
4	Tariff B (Residential and Bulk Residential)	• Increase by 6,84%	• Tariff remains in place to complement IBT • Best suited to higher users of electricity • Continuation of the fixed charge principle for prepayment customers.
5	Tariff B (Business, Mixed Business and Residential, Commercial or Industrial)	• Increase by 6,84%	• Structurally no change
6	Tariff C	• Increase by 6,84%	• Structurally no change
7	Tariff D	• Increase by 6,84%	• Structurally no change
8	Tariff J • This tariff is available for bulk supplies at medium and high voltage situated in a position designated by CoE as close-coupled to the Eskom grid.	• Increase by 6.84%	• Structurally no change Resolving court cases with some of the CoE largest customers
9	Tariff E	• Increase by 6,84%	• Structurally no change

Rand Water indicated a tariff increase of **12.96%, being 12.2% plus the Water research levy of 0.76%.** In terms of Water Research Act. 1971, Rand Water was tasked to collect the Water research levy which is not part of the Rand Water's tariff, for payment to Water Research Commission.

ERWAT proposes a tariff increase of 9% on Sanitation. This is based on the increase in input costs such as fuel and chemicals.

As in the previous year**, refuse removal tariffs** increase is proposed to be set at **7.5%** for all users. This is largely based on the increase of the main cost drivers of the service.

Sundry tariff increases were limited, in most instances, to be within the CPI rate of 6.0%. Special focus was given to tariffs of social services not to increase, especially to accommodate the poorest of the poor.

Burial and Cemetery tariff increase is based on CPI (at 6.5%), for non-residents which is recommended that a minimum nominal percentage increase be applied to cover inflationary increases in costs and reduce overall subsidization of interment. As in the previous year, there is no increase in the tariffs for the CoE residents.

Similarly, Council reviewed the **Municipal Bus Services tariff** increases. This increase by an average of 6.83 % (between 4.17% - 17.65%). This average compare well with the overall increase of consumer goods and the increase in the cost of living. In order to ensure that the CoE bus fares are market-related compared to the fares charged by alternative modes of transport, cognizance needs to be taken of the tariffs being charged by the mini-bus taxis and other bus operators such as City to City, who currently operate the routes previously operated by Putco, in the same area.

Integrated Public Transport Network (Harambee Bus Service) proposes a tariff of R13.00 per trip from Tembisa to Isando. This is a new tariff as the service is planned to be operational in the new financial year.

The following table reflects the tariff assumptions for the 2018/19 MTREF for the major services rendered:

Revenue category	2018/19 Proposed tariff increase	2019/20 Proposed tariff increase	2020/21 Proposed tariff increase
	%	%	%
Property rates	10.0	7.5	7.5
Sanitation	9.00	9.0	9.0
Refuse removal	7.5	7.5	7.5
Water	12.96	12.96	12.96
Electricity sales	Ranges between 5.23 - 8.5	8.5	8.5
Electricity bulk purchases	7.32	10.0	10.0

The impact of the above tariff increases on households is estimated to vary between 9.2% and 10.2%, as set out in Table 13 MBRR Table SA14.

The financial sustainability of the 2018/19 MTREF is largely dependent on the collection level of billed income. Provision is made for a **collection level of 94%**. To achieve this collection, the CoE will have to implement more robust credit control measures as well as develop new strategies to billed properties that remain unbilled.

In order to sustain the services rendered to our community the **repair and maintenance** budget has been increased to R2.9 billion in 2018/19 as compared to R2.8 billion in 2017/18.

In terms of Council's social commitment to assist the poorer communities in Ekurhuleni provision was also made for the **supply of free basic services and social contributions** to identified structures in Ekurhuleni.

All residential owners will **continue to receive assessment rate exemption on the value of their homes. The first R150 000 is exempted for assessment rates**. Various other grants on assessment rates, such as pensioners' rebate, rebate to low income people, properties zoned for religious purposes, will continue in the new year.

Council will continue with the supply of **free basic water and sanitation** to residents. All residents receive 6Kl water and 6Kl sanitation free, whilst indigents receive an additional 3Kl per month.

The total amount budgeted for **free basic services** and social grants to our community amounts to approximately **R4 billion.**

Annual Budget Assessment and Benchmarking with other metros conducted by National Treasury

Between April and May 2018, the National Treasury will conduct a benchmark assessment of the tariff increases proposed by all the metros. The outcome of the assessment will be contained in the budget to be approved in May 2018.

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2018/19 MTREF SUMMARY (OPERATING BUDGET)

The following table is a summary of the 2018/19 MTREF Operating Budget.

DESCRIPTION	F00 R'000 ORG BUDGET	F00 R'000 AMENDED	F00 R'000 YEAR TO DATE -	F00 R'000 PROJECTED	F01 R'000 2018/19	% B to B	% Of Total	F02 R'000 2019/20	F03 R'000 2020/21
	R	R	R	R	R			R	R
CONSOLIDATED TOTAL									
INCOME									
NON - EXCHANGE REVENUE									
Property Rates	(5,066,264)	(5,210,905)	(3,149,413)	(5,210,905)	(5,769,521)	10.72%	15.38%	(6,269,946)	(6,813,658)
Fines, Penalties and Forfeits	(164,257)	(139,257)	(79,443)	(135,965)	(138,197)	-0.76%	0.37%	(145,107)	(152,363)
Licenses and Permits	(319,873)	(319,873)	(170,843)	(488,557)	(338,745)	5.90%	0.90%	(359,069)	(380,614)
Transfers and Subsidies	**(7,790,389)**	**(7,813,794)**	**(4,467,497)**	**(7,813,794)**	**(8,270,351)**	**5.84%**	**22.05%**	**(8,636,020)**	**(9,259,617)**
- Operational: Allocations in Kind	(7,915)	(7,915)	(32)	(7,915)	(5,371)	-32.14%	0.01%	(5,693)	(6,056)
- Operational: Monetary	(5,478,432)	(5,573,951)	(3,815,980)	(5,573,951)	(6,062,646)	8.77%	16.17%	(6,397,945)	(6,867,134)
- Capital: Allocations in Kind	(378)	(378)	(1,705)	(378)	(402)	6.50%	0.00%	(428)	(456)
- Capital: Monetary	(2,303,664)	(2,231,550)	(649,780)	(2,231,550)	(2,201,931)	-1.33%	5.87%	(2,231,953)	(2,385,971)
SUB TOTAL: NON - EXCHANGE REVENUE	**(13,340,784)**	**(13,483,829)**	**(7,867,196)**	**(13,649,220)**	**(14,516,814)**	**7.66%**	**38.71%**	**(15,410,143)**	**(16,606,252)**
EXCHANGE REVENUE									
Service Charges	(19,331,647)	(19,214,336)	(11,715,354)	(19,022,262)	(20,559,983)	7.00%	54.82%	(22,438,040)	(24,489,916)
Interest, Dividends and Rent on Land	(970,930)	(924,237)	(347,571)	(878,311)	(945,966)	2.35%	2.52%	(993,258)	(1,042,913)
Operational Revenue	(24,475)	(24,475)	(13,926)	(24,475)	(24,981)	2.07%	0.07%	(26,238)	(27,556)
Rental from Fixed Assets	(118,429)	(118,429)	(59,887)	(110,418)	(127,763)	7.88%	0.34%	(134,596)	(141,799)
Sales of Goods and Rendering of Services	(1,153,392)	(1,153,392)	(645,183)	(1,126,750)	(1,328,745)	15.20%	3.54%	(1,442,110)	(1,555,702)
SUB TOTAL: EXCHANGE REVENUE	**(21,598,873)**	**(21,434,869)**	**(12,781,919)**	**(21,162,216)**	**(22,987,437)**	**7.24%**	**61.29%**	**(25,034,242)**	**(27,257,886)**
TOTAL INCOME	**(34,939,657)**	**(34,918,698)**	**(20,649,115)**	**(34,811,436)**	**(37,504,250)**	**7.40%**	**100.00%**	**(40,444,385)**	**(43,864,137)**

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DESCRIPTION	F00 R'000 ORG BUDGET	F00 R'000 AMENDED	F00 R'000 YEAR TO DATE -	F00 R'000 PROJECTED	F01 R'000 2018/19	% B to B	% Of Total	F02 R'000 2019/20	F03 R'000 2020/21
	R	R	R	R	R			R	R
CONSOLIDATED TOTAL									
EXPENDITURE									
Employee Related Costs	**8,053,523**	**7,962,224**	**4,601,870**	**7,962,224**	**8,692,563**	**9.17%**	**24.68%**	**9,491,346**	**10,389,639**
Senior Management	86,444	86,444	43,273	86,444	85,809	-0.74%	0.24%	93,065	101,103
Municipal Staff	7,967,079	7,875,780	4,558,597	7,875,780	8,606,755	9.28%	24.43%	9,398,281	10,288,536
Remuneration of Councilors	**130,316**	**133,816**	**71,250**	**133,816**	**151,062**	**12.89%**	**0.43%**	**160,881**	**171,338**
Contracted Services	**3,904,725**	**4,062,939**	**1,977,690**	**4,025,613**	**4,110,698**	**1.18%**	**11.67%**	**4,367,309**	**4,603,072**
- Outsource Services	2,019,180	2,058,867	1,086,217	2,041,882	2,164,175	5.11%	6.14%	2,321,006	2,452,546
- Consultants and Professional Services	460,982	498,524	176,058	492,488	373,455	-25.09%	1.06%	377,659	380,403
- Contractors	1,424,564	1,505,548	715,415	1,491,242	1,573,068	4.48%	4.47%	1,668,645	1,770,123
Operational Cost	**1,249,317**	**1,268,183**	**536,075**	**1,234,377**	**1,111,818**	**-12.33%**	**3.16%**	**1,150,515**	**1,186,250**
Inventory	**2,047,974**	**1,999,495**	**824,171**	**1,963,783**	**2,026,111**	**1.33%**	**5.75%**	**2,185,073**	**2,355,048**
Bulk Purchases	**12,221,456**	**12,321,455**	**7,266,273**	**12,321,455**	**13,479,345**	**9.40%**	**38.26%**	**14,929,414**	**16,427,410**
Interest Dividends and Rent on Land	**801,404**	**665,462**	**325,692**	**665,462**	**992,048**	**49.08%**	**2.82%**	**1,076,811**	**1,156,190**
Operating Leases	**49,818**	**48,818**	**23,733**	**48,465**	**45,269**	**-7.27%**	**0.13%**	**49,648**	**54,196**
Contribution for Bad Debt	**1,549,864**	**1,332,553**	**899,797**	**1,332,553**	**1,436,095**	**7.77%**	**4.08%**	**1,551,377**	**1,675,326**
Transfers and Subsidies	**484,724**	**749,332**	**366,620**	**749,332**	**897,064**	**19.72%**	**2.55%**	**803,968**	**845,602**
Depreciation and Amortisation	**2,076,706**	**2,076,706**	**1,216,873**	**2,076,706**	**2,224,619**	**7.12%**	**6.32%**	**2,377,382**	**2,544,840**
Income Tax	–	–	–	–	59,989	100.00%	0.17%	–	–
TOTAL EXPENDITURE	**32,569,827**	**32,620,983**	**18,110,044**	**32,513,787**	**35,226,681**	**7.99%**	**100.00%**	**38,143,724**	**41,408,910**
DEFICIT / (SURPLUS)	**(2,369,830)**	**(2,297,715)**	**(2,539,072)**	**(2,297,650)**	**(2,277,569)**	**-0.88%**		**(2,300,661)**	**(2,455,227)**
DISP OF FIXED AND INTANGIBLE ASSETS	15,000	15,000	(1,679)	15,000	14,578	(0)		15,307	16,073
FAIR VALUE ADJUSTMENT	–	–	(1,030)	–	700	100.00%		700	700
INVENTORY	–	–	804	–	–	0.00%		–	–
TOTAL GAINS AND LOSSES	**15,000**	**15,000**	**(1,905)**	**15,000**	**15,278**			**16,007**	**16,773**
DEFICIT / (SURPLUS) AFTER GAINS AND LOSS	**(2,354,830)**	**(2,282,715)**	**(2,540,977)**	**(2,282,650)**	**(2,262,291)**			**(2,284,654)**	**(2,438,455)**
TOTAL RECOVERIES	(3,129,817)	(3,129,817)	(2,023,665)	(3,129,817)	(3,360,555)	0		(3,360,555)	(3,360,555)
TOTAL CHARGES	3,129,817	3,129,817	2,107,493	3,129,817	3,360,555	0		3,360,555	3,360,555
TOTAL CHARGES / RECOVERIES	**–**	**–**	**83,828**	**–**	**–**	**0.00%**		**–**	**–**
DEFICIT / (SURPLUS) AFTER RECOV & CHARG	**(2,354,830)**	**(2,282,715)**	**(2,457,149)**	**(2,282,650)**	**(2,262,291)**			**(2,284,654)**	**(2,438,455)**

CAPITAL BUDGET

The Capital Budget for 2018/19 as contained in the Tabled Budget amounts to **R6.7 billion** (including entities). This budget is made up of R6.6 billion for the City of Ekurhuleni and R128.3 million for the entities. The **Capital Budget** of **R6.7 billion** for 2018/19 is 1.3% more when compared to the 2017/18 Adjusted Budget of **R6.6 billion.**

2018/19 - 2020/21 MULTI YEAR CAPITAL BUDGET - PER DEPARTMENT								
Department	**Adjusted Budget 2017/18**	**%**	**Budget Year 2018/19**	**%**	**Budget Year 2019/20**	**%**	**Budget Year 2020/21**	**%**
Chief Operating Officer	112,200,000	1.69%	112,200,000	1.67%	112,200,000	1.59%	112,040,000	1.62%
City Manager	180,000	0.00%	20,000	0.00%	20,000	0.00%	20,000	0.00%
City Planning	35,227,992	0.53%	3,050,000	0.05%	3,050,000	0.04%	3,050,000	0.04%
Communication and Brand Management	750,000	0.01%	950,000	0.01%	900,000	0.01%	900,000	0.01%
Corporate Legal Services	2,650,000	0.04%	500,000	0.01%	500,000	0.01%	500,000	0.01%
Council General	513,727,773	7.76%	561,084,525	8.36%	614,127,125	8.69%	698,698,077	10.10%
Customer Relations Management	32,000,000	0.48%	4,150,000	0.06%	5,500,000	0.08%	15,000,000	0.22%
Disaster & Emergency Management Services	194,470,000	2.94%	145,540,000	2.17%	133,230,000	1.89%	162,980,000	2.36%
Economic Development	145,100,000	2.19%	186,200,000	2.77%	175,300,000	2.48%	169,780,092	2.45%
EMPD	162,300,000	2.45%	170,100,000	2.54%	108,600,000	1.54%	144,800,000	2.09%
Energy	717,700,000	10.84%	736,700,000	10.98%	795,765,000	11.26%	836,700,000	12.09%

CITY OF EKURHULENI METROPOLITAN MUNICIPALITY
EXTRA-ORDINARY COUNCIL MEETING

2018.03.28

ITEM A-F (23-2018)

2018/19 - 2020/21 MULTI YEAR CAPITAL BUDGET - PER DEPARTMENT								
Department	**Adjusted Budget 2017/18**	**%**	**Budget Year 2018/19**	**%**	**Budget Year 2019/20**	**%**	**Budget Year 2020/21**	**%**
Environmental Resources Management	180,200,000	2.72%	295,550,000	4.40%	318,500,000	4.51%	290,050,000	4.19%
EPMO	530,000	0.01%	200,000	0.00%	200,000	0.00%	200,000	0.00%
Executive Office	7,550,000	0.11%	3,500,000	0.05%	4,300,000	0.06%	3,700,000	0.05%
Finance	2,087,400	0.03%	12,600,000	0.19%	10,680,000	0.15%	12,600,000	0.18%
Fleet Management	13,428,013	0.20%	6,617,200	0.10%	12,119,000	0.17%	20,284,000	0.29%
Health & Social Development	91,989,735	1.39%	42,275,000	0.63%	111,050,000	1.57%	135,800,000	1.96%
Human Resources Management & Development	1,500,000	0.02%	1,700,000	0.03%	1,400,000	0.02%	1,800,000	0.03%
Human Settlements	974,220,259	14.72%	1,192,682,944	17.77%	1,366,386,454	19.33%	1,116,933,567	16.14%
ICT	609,548,848	9.21%	565,606,971	8.43%	629,846,768	8.91%	265,118,268	3.83%
Internal Audit	440,000	0.01%	450,000	0.01%	-	0.00%	553,000	0.01%
Legislature	6,444,500	0.10%	5,979,850	0.09%	6,492,835	0.09%	7,423,835	0.11%
Real Estate	208,005,862	3.14%	162,500,000	2.42%	103,340,000	1.46%	118,080,000	1.71%
Risk Management	310,000	0.00%	310,000	0.00%	310,000	0.00%	310,000	0.00%
Roads and Stormwater	683,800,004	10.33%	664,650,000	9.91%	677,550,000	9.59%	760,550,500	10.99%

2018/19 - 2020/21 MULTI YEAR CAPITAL BUDGET - PER DEPARTMENT

Department	Adjusted Budget 2017/18	%	Budget Year 2018/19	%	Budget Year 2019/20	%	Budget Year 2020/21	%
SRAC	128,989,940	1.95%	105,100,000	1.57%	114,900,000	1.63%	131,500,000	1.90%
Strategy & Corporate Planning	560,000	0.01%	565,000	0.01%	570,000	0.01%	648,271	0.01%
Transport	715,918,000	10.81%	691,398,000	10.30%	657,621,000	9.31%	740,316,000	10.70%
Waste Management	166,250,000	2.51%	165,500,000	2.47%	115,900,000	1.64%	134,500,000	1.94%
Water & Sanitation	599,300,000	9.05%	744,250,000	11.09%	861,500,000	12.19%	906,000,000	13.10%
ERWAT	309,259,071	4.67%	121,804,889	1.82%	124,051,055	1.76%	125,824,292	1.82%
EHC	1,895,000	0.03%	1,049,000	0.02%	1,112,160	0.02%	1,178,890	0.02%
BBC	1,550,000	0.02%	5,150,000	0.08%	350,000	0.00%	500,000	0.01%
Total	**6,620,082,397**	**100%**	**6,709,933,379**	**100%**	**7,067,371,397**	**100%**	**6,918,338,792**	**100%**

2018/19 - 2020/21 MULTI YEAR CAPITAL BUDGET - PER DEPARTMENT

	Adjusted Budget 2017/18	%	Budget Year 2018/19	%	Budget Year 2019/20	%	Budget Year 2020/21	%
Parent Municipality	6,307,378,326	95.28%	6,581,929,490	98.09%	6,941,858,182	98.22%	6,790,835,610	98.16%
Entities	312,704,071	4.72%	128,003,889	1.91%	125,513,215	1.78%	127,503,182	1.84%

The Capital Budget will be funded as follows:

2018/19 - 2020/21 MULTI YEAR CAPITAL BUDGET - PER SOURCES OF FINANCE								
Source Of Finance	**Adjusted Budget 2017/18**	**%**	**Budget Year 2018/19**	**%**	**Budget Year 2019/20**	**%**	**Budget Year 2020/21**	**%**
Energy Effeciency & Demand Side Management (EEDMS)	12,000,000	0.18%	14,000,000	0.21%	13,065,000	0.18%	15,000,000	0.22%
External Loans	3,170,216,164	47.89%	3,443,202,496	51.32%	3,769,461,893	53.34%	3,416,357,326	49.38%
Intergrated City Development Grant (ICDG)	48,646,000	0.73%	45,537,000	0.68%	48,375,000	0.68%	51,069,000	0.74%
Intergrated National Electrification Programme (INEP)	40,000,000	0.60%	45,000,000	0.67%	38,000,000	0.54%	32,000,000	0.46%
Neighborhood Development Partnership Grant (NDPG)	82,000,000	1.24%	75,262,000	1.12%	42,190,000	0.60%	72,800,000	1.05%
SRAC Provincial Grant	9,089,940	0.14%	9,000,000	0.13%	9,000,000	0.13%	9,000,000	0.13%
Public Transport Network Grant (PTNG)	580,718,000	8.77%	478,048,000	7.12%	445,521,000	6.30%	471,716,000	6.82%
Revenue	905,612,248	13.68%	936,796,050	13.96%	940,442,835	13.31%	988,507,698	14.29%
Urban Settlement Development Grant (USDG)	1,458,894,896	22.04%	1,535,083,944	22.88%	1,635,802,454	23.15%	1,734,385,586	25.07%
Wi-Fi Connectivity-National Grant	201,078	0.00%	-	0.00%	-	0.00%	-	0.00%
Entities Internal Funds	261,504,071	3.95%	78,003,889	1.16%	75,513,215	1.07%	77,503,182	1.12%
ERWAT USDG Grant	50,000,000	0.76%	50,000,000	0.75%	50,000,000	0.71%	50,000,000	0.72%
BBC Grant	1,200,000	0.02%	-	0.00%		0.00%		0.00%
Total	**6,620,082,397**	**100%**	**6,709,933,379**	**100%**	**7,067,371,397**	**100%**	**6,918,338,792**	**100%**

The National Treasury has set a benchmark of 39% - 40% of the Capital Budget to be spent on renewal projects and this was taken into account.

The following table provides a breakdown of 2018/2019 draft budgeted capital expenditure per Capital Investment Framework (CIF) classification.

2018/19 - 2020/21 MULTI YEAR CAPITAL BUDGET - PER CIF CATEGORIES								
CIF Categories	**Adjusted Budget 2017/18**	**%**	**Budget Year 2018/19**	**%**	**Budget Year 2019/20**	**%**	**Budget Year 2020/21**	**%**
Economic Development	1,627,158,414	24.58%	1,588,982,525	23.68%	1,642,713,125	23.24%	1,875,194,169	27.10%
Upgrading and Renewal	2,890,507,196	43.66%	2,910,313,021	43.37%	3,040,369,763	43.02%	2,880,846,764	41.64%
Urban Restructuring	2,102,416,787	31.76%	2,210,637,834	32.95%	2,384,288,509	33.74%	2,162,297,859	31.25%
Total	**6,620,082,397**	**100%**	**6,709,933,380**	**100%**	**7,067,371,397**	**100%**	**6,918,338,792**	**100%**

Capital Budget per Ward

It is appropriate to supply a complete list of capital projects per ward to councilors as part of this report and it is included as **Annexure F** to this report.

PROPOSED POLICY CHANGES

The City's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The entire set of Budget Related Policies can be viewed on the EMM website: http://www.ekurhuleni.gov.za

It is required by legislation that amendments to all budget related policies must form part of the tabled budget. The following budget related policies are included as **Annexure D** to this report:

Annexure D1	Medium-term Budget Policy Statement (reviewed)
Annexure D2	Pricing Policy Statement (reviewed)
Annexure D3	Property Rates Policy (remains unchanged)
Annexure D4	Provision of Free Basic Electricity Policy (remains unchanged)
Annexure D5	Waste Management Services Tariff Policy (reviewed)
Annexure D6	Consumer Deposit Policy (reviewed)
Annexure D7	Indigent Policy (reviewed)
Annexure D8	Credit Control & Debt Collection Policy (reviewed)
Annexure D9	Provision for Doubtful Debtors and Debtors Write Off (remains unchanged)
Annexure D10	Budget Implementation and Monitoring Policy (remains unchanged)
Annexure D11	Municipal Entity Financial Support Policy (reviewed)
Annexure D12	Accounting Policy (remains unchanged)
Annexure D13	Electricity Metering for Residential and business Customers (reviewed)
Annexure D14	Policy for the Vending of Pre-Paid Electricity (reviewed)
Annexure D15	Policy for Correction of Meter Reading and Billing Data (reviewed)
Annexure D16	Electricity Tariff policy (reviewed)
Annexure D17	Virement Policy (reviewed)
Annexure D18	Consumer Agreement Policy (remains unchanged)
Annexure D19	Supply Chain Management Policy (remains unchanged)
Annexure D20	Treasury Policy (remains unchanged)

SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

In terms of the MFMA, the SDBIP is only required 14 days after approval of the MTREF. The Strategy and Corporate Planning Department is in a process to compile the SDBIP in collaboration with all the departments. It will be submitted as **Annexure E** in the final budget report.

ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

LEGAL IMPLICATIONS

The tabling of the IDP and Budget in March 2018 will ensure compliance with Section 16 of the MFMA.

COMMUNICATION IMPLICATIONS

The delivery and approval of the budget to the community is widely communicated by Marketing and Brand Management Department. The tabled document will also be distributed as per the required legislation, which inter alia includes CoE's website.

OTHER DEPARTMENTS/ BODIES CONSULTED

The Strategy and Corporate Planning Department was involved in the development of the proposals for the reviewed IDP section of the report.

The recommendations have been presented to the Senior Management Team and are supported.

RECOMMENDATION

1. **That** the report regarding the Draft Reviewed Integrated Development Plan and the Draft Medium-term Revenue and Expenditure Framework for the City of Ekurhuleni for the 2018/2019 to 2020/2021 financial period **BE NOTED**.

2. **That** the Draft Reviewed Integrated Development Plan and the Draft Medium-term Revenue and Expenditure Framework for the 2018/2019 to 2020/2021 financial period, inclusive of draft tariffs and draft budget-related policies as contained in the Budget Document, **BE NOTED** in terms of Section 16 of the Municipal Finance Management Act.

3. **That** the Draft Built Environment Performance Plan (BEPP) for 2018/2019 **BE NOTED**.

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4. **That** the Draft Reviewed Integrated Development Plan and the Draft Medium-term Revenue and Expenditure Framework for the 2018/2019 to 2020/2021 financial period, inclusive of draft tariffs and draft budget-related policies as contained in the Budget Document, **BE SUBJECTED** to a detailed review and community consultation process in terms of Sections 22 and 23 of the Municipal Finance Management Act and that the consultation process **BE DONE** in accordance with Chapter 4 of the Municipal Systems Act.

5. **That** the 2016/2021 Reviewed IDP and the Draft Medium-term Revenue and Expenditure Framework for the 2018/2019 to 2020/2021 financial period, inclusive of draft tariffs and draft budget-related policies, **BE SUBMITTED** to Council for final consideration at the end of May 2017 as required by section 24 of the Municipal Finance Management Act.

6. **That** the Draft Medium-term Revenue and Expenditure Frameworks of the Municipal Entities for the 2018/2019 to 2020/2021 financial period as well as the Draft Measureable Performance Indicators **BE INCLUDED** in the Community Consultation Process as required by Section 87 of the Municipal Finance Management Act.

7. **That** the Municipal Entities **PRESENT** their proposed salaries and benefits for the 2018/2019 financial year to the City's Remuneration Committee before the end of May 2018 for purposes of setting of upper limits as required by section 89 of the Municipal Finance Management Act.

8. **That** the Final Medium-term Revenue and Expenditure Frameworks of the Municipal Entities for the 2018/2019 to 2020/2021 financial period as well as the Final Measureable Performance Indicators **BE SUBMITTED** to the respective Entity Boards for final consideration at the end of May 2018 as required by section 87 of the Municipal Finance Management Act.